

Q4 2015



City of Hollister Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2015)

Hollister In Brief

Gross receipts for Hollister's October through December sales were 11.6% higher than the same quarter one year ago.

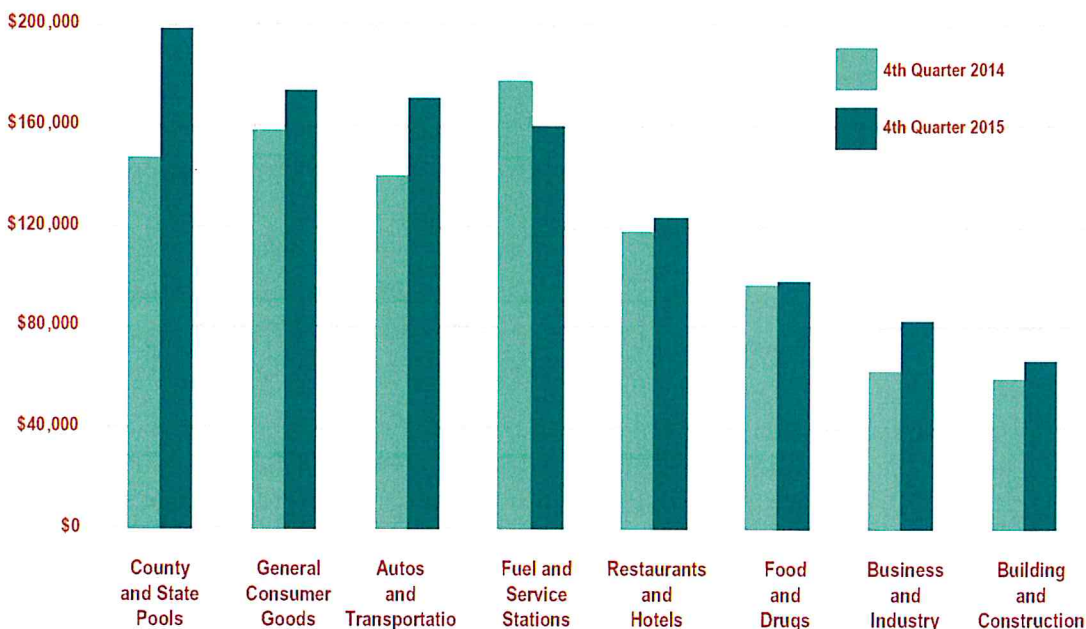
Gains from the automotive group out-paced statewide averages and some categories of consumer goods posted strong holiday quarter sales, including electronics-appliance stores. Receipts were up from lumber-building materials, light industrial-printers and liquor stores. Payment anomalies inflated results from several categories within the business and industry group, including garden agricultural supplies and drugs-chemicals. This quarter's allocation from the countywide use tax pool was also a factor for the overall increase. The pool was buoyed by a onetime allocation.

Lower fuel prices cut service station returns. Sales declined from grocery-liquor and specialty stores. Payment anomalies depressed comparisons for casual dining and contractor supplies.

Voter approved Measure E generated \$1,282,790 for the quarter, 13.0% more than in last year's comparison period.

Excluding aberrations, taxable sales for all of San Benito County increased 8.5% over the same period; Central Coast regional totals dipped 0.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ace Hardware	Nob Hill General Store
Arco AM PM	Quik Stop Market
Brigantino Irrigation	Rite Aid
California Forest Products	Round Table Pizza
Ciminos Cabinet Doors	Safeway
Greenwood Chevrolet Buick GMC	Safeway Fuel
Hollister Chevron	Save Mart
Jack in the Box	Shop N Save
Kmart	Taco Bell
KMG Electronics Chemicals	Target
McDonalds	Tiffany Ford Lincoln Mercury
McKinnon Lumber	Tiger Express Mart
	Verizon

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$2,521,838	\$2,564,771
County Pool	424,971	517,567
State Pool	2,219	3,069
Gross Receipts	\$2,949,027	\$3,085,407
Less Triple Flip*	\$(737,257)	\$(771,352)
Measure E	\$3,374,868	\$3,603,978

California Overall

Excluding accounting aberrations, local sales and use tax receipts from the fourth quarter of 2015 ended 2.6% above 2014's holiday quarter.

Solid returns for autos, RVs, building materials and most categories of restaurants were the primary contributors to the statewide increase. The growth in online shopping for merchandise shipped from out-of-state continued to raise countywide use tax allocation pool revenues.

The gains were largely offset by a 13.2% drop in tax receipts from service stations and other fuel-related expenditures. Except for value price clothing and shoes, most categories of general consumer goods were flat or down, reflecting heavy price discounting to reduce excess holiday inventories and the impact of the strong dollar on international tourist spending.

With some exceptions, particularly in the areas of computers and agricultural chemicals, overall receipts from business and industrial expenditures were also down primarily due to cutbacks in capital spending by energy producers and manufacturers of exported goods, equipment and raw materials.

Intense competition and price pressures resulted in only modest gains in receipts from grocers and pharmacists with the largest increase in this group coming from liquor stores and marijuana dispensaries.

HdL's most recent economic consensus forecast anticipates similar modest gains through 2016 with an eventual peak in auto sales replaced by strong sales of building and construction materials for home improvement and new housing. A recovery in tax receipts from fuel is not expected until the end of the year.

The Triple Flip Is Over!

Beginning with taxes collected in January and forward, local governments will again receive their full share of Bradley-Burns sales and use tax reve-

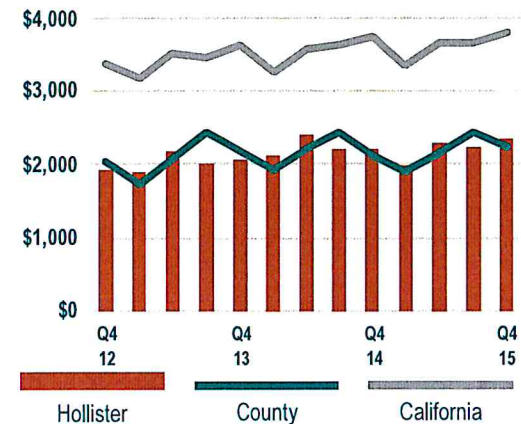
nues thus ending an eleven-year program known as the Triple Flip.

The program began in 2004 when voters approved a \$15 billion bond issue to cover operating deficits resulting from a combination of that year's economic downturn plus failure to offset the loss of revenue from the Governor's popular reduction in the 65-year-old, 2% Motor Vehicle In-Lieu Tax.

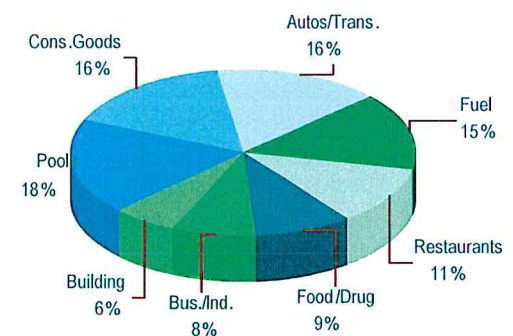
The State retained 25% of local sales tax to guarantee the bonds, reimbursed local governments from monies meant for schools and replaced the money taken from schools with state general funds thus creating what became known as the Triple Flip. The financing scheme resulted in interest payments totaling \$4.8 billion, plus another \$200 million in administrative fees while creating new budget challenges for local governments.

It also resulted in voter passage of constitutional amendment Proposition 1A that bars state tampering with local sales and use tax revenues in the future.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP Hollister This Quarter



HOLLISTER TOP 15 BUSINESS TYPES

Business Type	Hollister		County	
	Q4 '15	Change	Change	HdL State Change
Automotive Supply Stores	29,115	9.4%	5.2%	5.2%
Casual Dining	51,121	-2.4%	8.6%	5.8%
Contractors	21,883	-3.8%	26.1%	11.1%
Discount Dept Stores	— CONFIDENTIAL —		4.9%	3.0%
Drug Stores	— CONFIDENTIAL —		-0.2%	0.8%
Drugs/Chemicals	26,759	3.9%	-9.7%	6.0%
Electronics/Appliance Stores	24,624	46.9%	46.9%	0.7%
Garden/Agricultural Supplies	25,570	50.8%	49.1%	16.1%
Grocery Stores Liquor	59,925	-4.7%	-3.6%	0.6%
Light Industrial/Printers	12,065	24.4%	10.9%	5.5%
Liquor Stores	16,300	27.5%	27.7%	5.5%
Lumber/Building Materials	39,418	31.8%	36.0%	10.0%
New Motor Vehicle Dealers	— CONFIDENTIAL —		29.6%	7.9%
Quick-Service Restaurants	66,316	9.2%	13.2%	8.0%
Service Stations	159,380	-10.4%	-10.0%	-10.5%
Total All Accounts	875,144	7.4%	5.2%	2.4%
County & State Pool Allocation	198,468	34.8%	32.0%	10.8%
Gross Receipts	1,073,611	11.6%	9.3%	3.5%